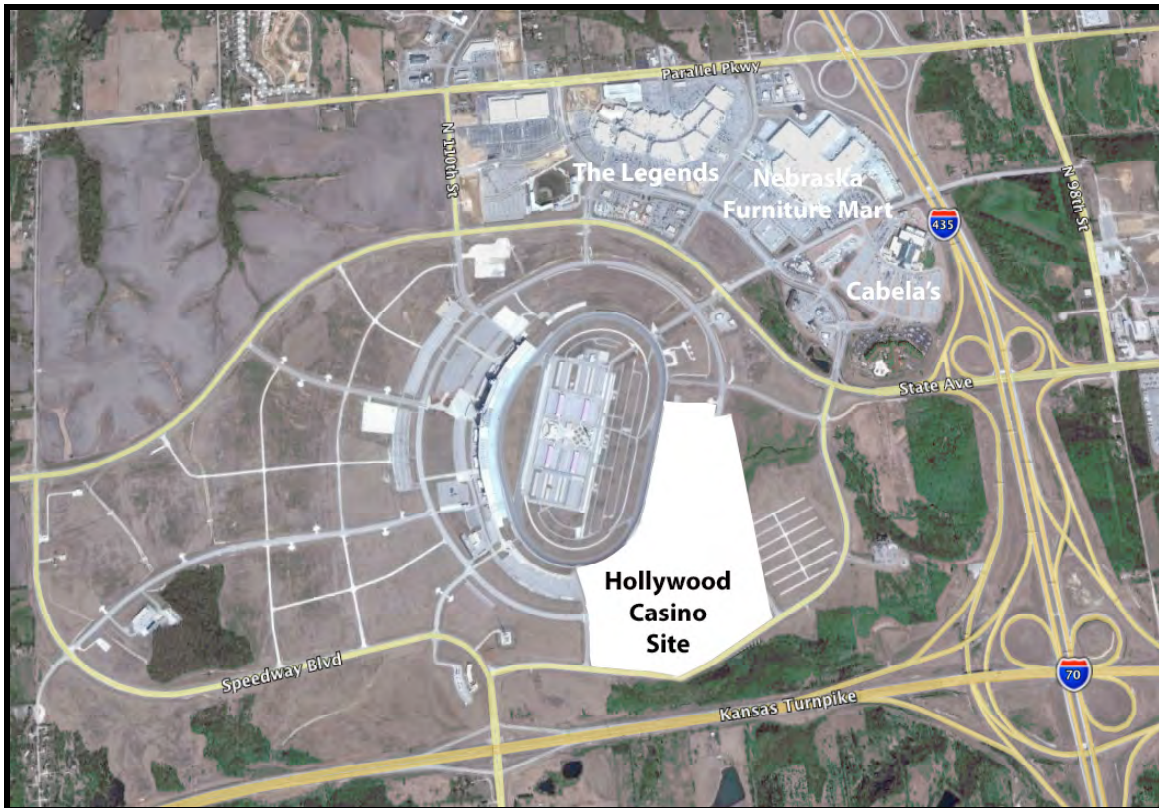


# *Northeast Gaming Zone of Kansas*

Projections of Casino Visits and Gaming Revenues

**HOLLYWOOD**  
*Casino®*



Prepared For:

**Kansas Lottery Gaming Facility Review Board**

October 2009

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# **Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues**

## **Table of Contents**

|  | <b><u>Page #</u></b> |
|--|----------------------|
| <br><b><u>Section 1</u></b>  |                      |
| <b>Introduction</b>  | 1-1                  |
| Project Objective  | 1-4                  |
| Scope of Work & Research Methodology                               | 1-5                  |
| Map - Northeast Kansas Zone  | 1-6                  |
| Key Gravity Model Assumptions                                      | 1-9                  |
| Limiting Conditions  | 1-10                 |
| <br><b><u>Section 2</u></b>  |                      |
| <b>Executive Summary</b>   |                      |
| Highlights of the Scope of Work                                    | 2-1                  |
| Gaming Capacity - Summary  | 2-2                  |
| Trade Area Demographics - Summary                                  | 2-3                  |
| <b>Casino Visits Projections - WGR &amp; the Hollywood</b>         | 2-4                  |
| <b>Gaming Revenues Projections - WGR &amp; the Hollywood</b>       | 2-4                  |
| Comparative Analyses - Summaries                                   |                      |
| Hollywood Compared with 2008 Applicants                            | 2-5                  |
| Hollywood Compared with Kansas City, Mo Casinos                    | 2-8                  |
| <br><b><u>Section 3</u></b>  |                      |
| <b>Hollywood Casino Detail</b>                                     |                      |
| Site Map   | 3-1                  |
| Facility Statistics & Amenities                                    | 3-2                  |
| Gaming Capacity  | 3-4                  |
| Trade Area Demographics - Details                                  | 3-6                  |
| <b>Casino Visit Projection Details - WGR &amp; the Hollywood</b>   | 3-9                  |
| <b>Gaming Revenue Projection Details - WGR &amp; the Hollywood</b> | 3-10                 |
| Comparative Analyses - Details                                     |                      |
| Hollywood Compared with 2008 Applicants                            | 3-11                 |
| Hollywood Compared with Kansas City, MO Casinos                    | 3-14                 |

***Northeast Gaming Zone of Kansas  
Projections of Casino Visits & Gaming Revenues***

***Section 1***

Introduction, Research Methodology, & Limiting Conditions

# ***Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues***

## **Introduction**

The State of Kansas has lost gaming revenues for many years to a number of surrounding states, particularly to Missouri and Oklahoma. The recent development of numerous tribal casinos in Oklahoma has exacerbated the problem. In an effort to stem the flow of gaming revenues and related taxes out of the State of Kansas, the legislature passed Senate Bill 66 (SB 66), the Kansas Expanded Lottery Act, which legalized casino gaming. The governor, Kathleen Sebelius, signed SB 66 on April 12, 2007.

## **Key Gaming Provisions of Senate Bill 66**

1. Establishment of four casino gaming zones:
  - Northeast (located in Wyandotte County)
  - Southeast (located in Crawford and Cherokee Counties)
  - South Central (located in Sumner and Sedgwick Counties)
  - Southwest (located in Ford County)
2. Building one state owned lottery gaming facility in each of the four Kansas gaming zones.
3. Permitting an aggregate of 2,800 slot machines to be installed at the three existing racetracks.

Other provisions included in SB 66:

### **Referendum Elections**

SB 66 required the counties located within the four subject gaming zones to hold referendum elections for the purpose of either approving or disapproving casino gaming, or slot machines to be located at their respective racetracks. Three gaming zones have racetracks (northeast, southeast, and south central). However, Sedgwick County, located in the south central gaming zone, rejected gaming in their referendum election. As a result, slot machines will be limited to two Kansas racetracks: The Woodlands (closed in 2008) located in Kansas City, Kansas (northeast gaming zone), and Camptown Greyhound Park (closed since November 2000) located near Frontenac, Kansas (southeast gaming zone).

### **Kansas Lottery Commission**

Casino companies interested in developing casino projects in one of the gaming zones must submit their applications to the Executive Director of Kansas Lottery Commission. The Lottery Commission approves management contracts with potential lottery gaming facility managers to operate and/or to construct and operate a casino within one of the four designated gaming zones where it has been determined that the casino would promote tourism and generate economic development. Kansas Lottery Commission negotiates and signs a contract with

## ***Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues***

the applicant(s). These contracts are, in turn sent to the Lottery Gaming Facility Review Board for consideration.

### **Lottery Gaming Review Board**

SB 66 provided for the creation of an independent, seven-member lottery gaming facility review board (three members are appointed by the governor, two by the president of the senate, and two by the speaker of the house). The Lottery Gaming Review Board evaluates the applications to become lottery gaming facility managers that are submitted to the Kansas Lottery Commission. The Board can engage recognized experts and consultants in the casino gaming industry to provide the assistance necessary to fully review and analyze the subject applications. The cost for the outside services is paid by the prospective lottery gaming facility managers.

### **Capital Investment Requirements & Privilege Fees**

SB 66 requires the casino developers to make the following minimum capital investments, and pay the accompanying privilege fees.

| <b>Gaming Zone</b> | <b>Minimum Capital Investment<br/>(Dollars in Millions)</b> | <b>Privilege Fee<br/>(Dollars in Millions)</b> |
|--------------------|---|--|
| Northeast          | \$225   | \$25   |
| Southeast          | \$225   | \$25   |
| South Central      | \$225   | \$25   |
| Southwest          | \$50  | \$5  |

The capital investment represents the minimum investment required to build the proposed gaming facility. The privilege fee is an upfront, one-time fee paid by the prospective lottery gaming facility manager, for the privilege of being selected as a lottery gaming facility manager of a lottery gaming facility.

Thus, a developer in the northeast gaming zone would be required to make a minimum capital investment of a \$225 million and pay a one-time only privilege fee to the state of \$25 million.

### **Creation of a State Owned Lottery Gaming Facility**

SB 66 stipulates that the Kansas lottery gaming facilities be state-owned, the first in the United States. The state will own and control the gaming functions. The Lottery Gaming Facility Review Board will select the applicants, who in turn will become gaming facility managers of the state-owned gaming facilities. These managers will act on behalf of the Kansas Lottery Commission. The gaming facility managers will fund, build, and operate all of the lottery gaming facilities under contract with the state lottery.

## ***Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues***

### **Gaming Taxes**

The contract managers will be required to pay the following taxes, all of which are based on a percentage of each lottery gaming facility's gaming revenues:

1. The lottery gaming facility would pay a minimum of 22% of gaming revenues to the state, plus an additional 2% to fund programs for problem gamblers and gaming addiction issues.
2. If a lottery gaming facility were located in either the northeast or southwest gaming zones, but not in a city, the gaming facility would be required to pay an additional 3% of gaming revenues to the county where the gaming facility was located.
3. If, on the other hand, the gaming facility were located in a city, the facility would pay 1.5% of gaming revenues to the city and 1.5% to the county.
4. If the lottery gaming facility were located in either the southeast or the south central gaming zone, but not in a city, the lottery gaming facility would pay 2% of gaming revenues to the county in which the facility were located, and an additional 1% to the other county in the gaming zone (each gaming zone has two counties).
5. If a gaming facility were located in a city, a combined tax equal to 3% of gaming revenues would be paid to the city (1%), to the county in which the lottery gaming facility were located (1%), and to the second county in the gaming zone (1%).

### **Applications**

The State of Kansas reopened the application bidding process in 2009. To date, only two of the gaming zones (northeast and south central) have applicants who are positioned to move forward with their respective lottery gaming facilities: the Hollywood Casino (northeast zone) and the Chisholm Creek Casino Resort (south central zone).

## ***Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues***

### **Gaming Revenue Potential in Kansas**

Before enactment of Senate Bill 66 (the Kansas Expanded Lottery Act), the Kansas Lottery Commission engaged Christensen Capital to update their study addressing the gaming revenue potential of the four Kansas gaming zones. The updated study was released in March of 2008.

The Kansas Lottery Gaming Facility Review Board engaged experts in 2008 to address a variety of issues including the gaming revenue potential for the State of Kansas. Wells Gaming Research (WGR) and Cummings & Associates were both asked to conduct independent market analyses of the four gaming zones, and to evaluate the revenue potential of each applicant's proposal. This evaluation process was completed in September 2008, and four winning applicants were selected: the Hard Rock Speedway (northeast zone), Penn National Hollywood (southeast zone), Harrah's (south central zone), and Boot Hill (southwest zone).

### **Recession Impacts**

The 2008-2009 ongoing recession has unfortunately triggered severe economic downturns in the casino gaming industry. The impact for Kansas was that three of the four winning applicants were unable to fund and build their proposed lottery gaming facilities. Boot Hill was the only applicant able to move forward with construction and development of its lottery gaming facility.

### **Heightened Competition in the Southeast**

The southeast gaming zone now faces formidable competition from the Downstream Casino, a large, new Tribal casino located in the northeast corner of Oklahoma within a few hundred yards of the Kansas casino development site. The realities of the recession together with the increased competition raise questions regarding the economic viability of a casino located in the southeast gaming zone of Kansas that requires a minimum capital invest of \$225 million plus a \$25 million privilege fee.

### **Project Objective**

The objective of the following report and analyses is to provide the Lottery Gaming Facility Review Board with independent forecasts for the number of potential casino visitors and the gaming revenues for a Hollywood Casino located at the Kansas City Speedway.

The scope of work, research methodology, and analyses required to accomplish the project's objective are contained in the following section.

***Northeast Gaming Zone of Kansas  
Projections of Casino Visits & Gaming Revenues***

**Scope of Work  
& Research Methodology**

Evaluation of the application submitted by Kansas Entertainment/Penn National, Inc. to build a lottery gaming facility at the Kansas Speedway required the following research and analyses:

**Identifying the Trade Area**

WGR defined the northeast trade area as the geography lying within an approximate 100-to-125-mile radius surrounding the Wyandotte County, Kansas casino site. It covers counties located in three states (Kansas, Missouri, and Nebraska). The north-south boundaries extend from the Iowa border on the north and to Crawford County, Kansas and Vernon County, Missouri on the south. The east-west boundaries extend from Saline and Cooper Counties, Missouri on the east to Riley County, Kansas on the west (refer to the map on page 1-6).

**Site Visits**

Richard Wells (Wells), president of WGR, conducted site visits to the Oklahoma and Missouri casinos that are located within the trade area boundaries for both the northeast and south central gaming zones of Kansas. These site visits were made between June and September 2009. Wells also visited the five Kansas tribal casinos, Kansas City, Missouri casinos, and the northern Oklahoma casinos in June-July of 2008.

**Demographic Statistics**

Detailed population (total and adult) data for the trade area was obtained from the Bureau of Business & Economic Research, University of Nevada, Reno at the census tract level of detail for 2000 through 2015. Median household income statistics were also obtained from the same source.

**Capacity Statistics**

WGR compiled casino capacity and amenity statistics for the gravity models that were developed for the northeast gaming zone's Wyandotte, County development site.

**WGR's Proprietary Databases**

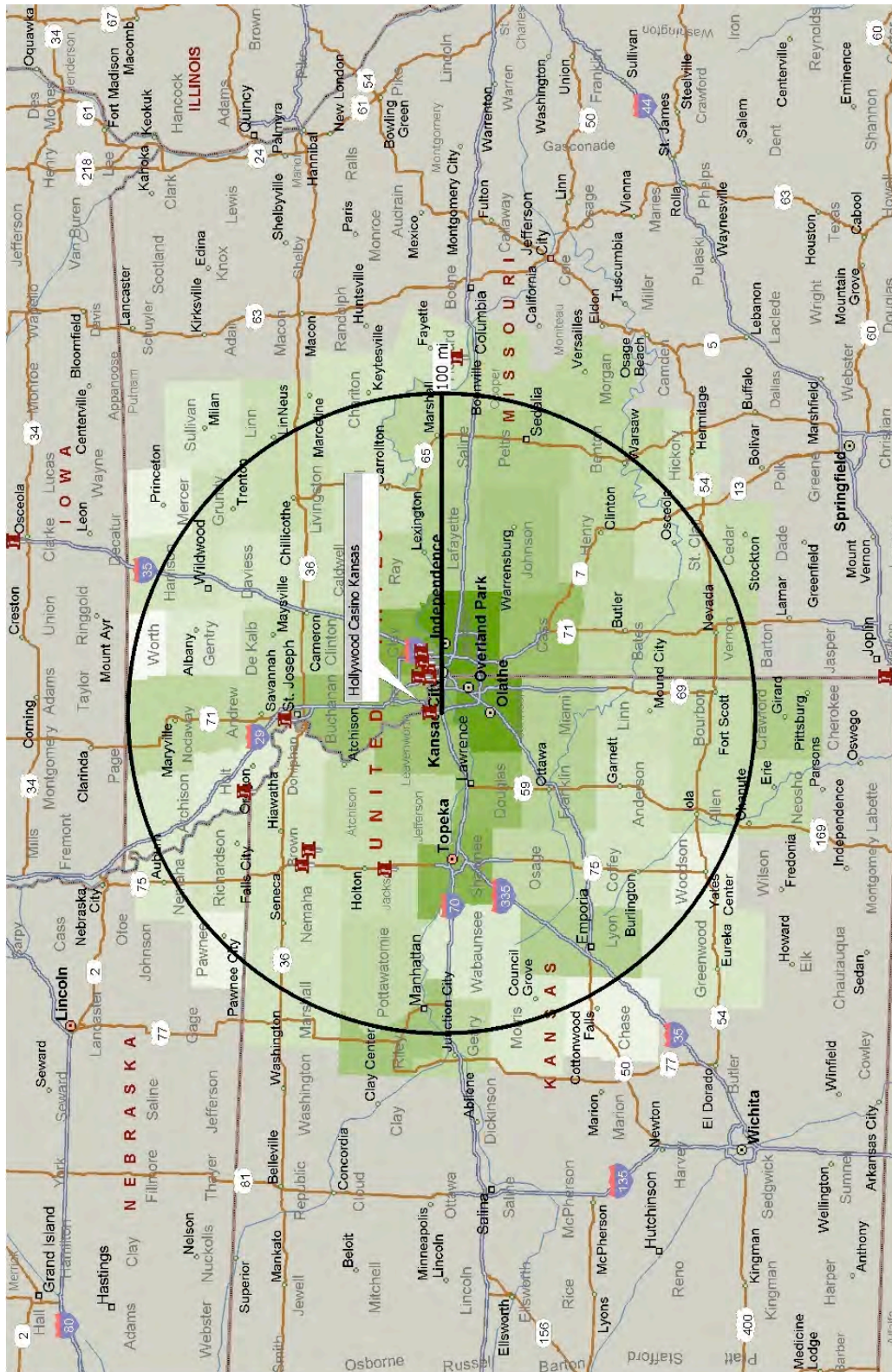
WGR's proprietary databases contain a wealth of casino related statistics dating back to 1990 and running continuously through the present. This is an unmatched data resource available exclusively to WGR for use in casino market studies.

**Applicant Templates & Application Documents**

WGR obtained project and pro forma specific data from the templates and applications prepared by Kansas Entertainment/Penn National and submitted to the Kansas Lottery Commission.



# Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues



## ***Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues***

### **Hollywood's 2009 Application versus the Four 2008 Applicants**

WGR conducted a line item comparison of the Hollywood's 2009 application with the four 2008 applicants: Golden Heartland (Phase 1), Hard Rock, Legends Sun, and Pinnacle Entertainment (refer to Exhibit 3-9, page 3-11, for a line item comparison of the results).

### **Hollywood's 2009 Application versus the Kansas City, Missouri Casinos**

WGR conducted a line item comparison of the Hollywood's 2009 application with the four Kansas City, Missouri casinos: Ameristar, Argosy, Harrah's, and the Isle of Capri (refer to Exhibit 3-10, page 3-14, for a line item comparison of the results).

### **Gravity Model**

By way of background, gravity models use the principal of Isaac Newton's law of gravity, wherein the attraction between two objects is proportional to their mass, and is inversely proportional to the square of their respective distances.

### **Applications for the Business World**

Even though Newton's law of gravity dealt with planets, the amount of gravitational force that they exert on each other, and the effects that the forces of gravity have on their trajectory, the concepts have been successfully applied to business. William J. Reilly first advanced the concept of using gravity modeling in 1931 in his book entitled *Law of Retail Gravitation*. Reilly illustrated that the concept of gravitational force (pull) can be applied to various types of problems, including business, retail, and traffic. Reilly applied the concept to retail shopping center trade areas and customer attraction.

### **WGR's Gravity Model**

WGR has developed a custom, proprietary, gravity model for use in estimating casino gaming revenues as well as for evaluating the impacts of increased competition on those revenues. WGR's gravity modeling methodology has proven to be a flexible and effective tool for estimating gaming revenues for casino projects where the interplay with existing and/or proposed competing casinos could affect future gaming revenues.

## ***Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues***

### **Loss Limits**

It was widely believed that the elimination of the loss limits restriction on Missouri riverboat casinos would have a positive effect on gaming revenues. The State removed the loss limits requirement in November 2008. WGR subsequently initiated a study to evaluate the impact. We analyzed ten years of actual gaming revenue data obtained from the Missouri Gaming Commission. WGR determined that the annualized net impact of the elimination of loss limits on the Kansas City, Missouri market was 1.57% for gross gaming revenues and 6.76% on the number of casino visits.

### **Recession Analyses**

WGR analyzed the impact of the ongoing 2008-2009 economic recession on casino gaming. Our findings show that the impacts for casinos located in the Midwest regional of the United States have been minimal. In contrast, the period-over-period declines for the fiscal year ended June 30, 2009 for Las Vegas have been 11% or more. Reno comparisons for the same period show declines of approximately 20%. Unfortunately, Reno's casino industry has not only had to cope with the economic slowdown, but also with the continued expansion of Tribal gaming in northern California (Reno's primary feeder market).

### **Gravity Model for the Northeast**

WGR built a new, custom designed gravity model for the northeast gaming zone for the 2009 analyses. It contains current demographic and competitive information. We also factored in the impacts of our analyses on loss limits and the ongoing economic recession that were purposely conducted for this study. WGR's annualized 2009 gross gaming revenue projections for the Kansas City, Missouri casinos include the impacts of loss limits and the recession. These revenue projections have been used to calibrate the 2009 gravity model.

### **Recession Assumption for 2010**

WGR has assumed that the impact of the current recession will continue through 2010. As a result, we have assumed that there will be zero growth in gaming revenues during 2010 in both the northeast and south central gaming markets. We are assuming that the recession will be over and that normal growth will resume in 2011.

### **Inflation Factors**

WGR, together with the other consultants working on this project, agreed to use a 3% annual inflation rate beginning in 2011.

### **Gaming Revenues**

Gaming revenue projections will only be reported for the mid case (mean). Footnotes will be included that identify the low and high percentage variances for a 68% confidence interval. In this way, the reader will know the statistical

***Northeast Gaming Zone of Kansas  
Projections of Casino Visits & Gaming Revenues***

percentage variances in the casino revenues that can be expected within one standard deviation of the mean, i.e. within a 68% confidence interval.

**Key Gravity Model Assumptions**

**Current Scenario**

The trade area includes 13 existing casinos in 2009.

**Scenario 1 – Phase 1**

Scenario-1 includes the current scenario with 13 existing casinos; and the addition of phase-1 for the Hollywood Casino Kansas with 2,300 slots, 61 table games, 25 poker tables, 3 restaurants, 1 small entertainment venue, and 2,785 parking spaces.

**Scenario 3 – Full Build Out**

Scenario-3 includes scenario-1 and the Hollywood project with full build out by 2015.

**Northeast Gaming Zone of Kansas**  
**Projections of Casino Visits & Gaming Revenues**

**Limiting Conditions**

**Limit of Liability**

The liability of Wells Gaming Research, a Nevada corporation, (hereinafter referred to as WGR) and its employees, is limited to the named Client only, Kansas Lottery Gaming Facility Review Board. No obligation or liability to any third party is foreseen. If this report is disseminated to anyone other than the Client, the Client shall make each party aware of all of the limiting conditions, assumptions, and related discussions of the assignment. If any of this data were used for limited partnerships, syndication offerings, stock offerings, or debt offerings, the Client agrees that if any legal action (including arbitration) is initiated by any lender, partner, part owner in any form of ownership, tenant, or any other person or entity against WGR or its employees, then the Client shall hold WGR and its employees completely harmless in any such action from any and all awards or settlements of any type (including but not limited to the attorney's fees and costs), regardless of the outcome(s).

**Litigation Expenses**

In the event that Wells Gaming Research (WGR), Richard H Wells, or any WGR staff members are named as parties to a law suit or are compelled by a court to provide testimony and documents relating to WGR's work for the Kansas Lottery Gaming Facility Review Board, Client agrees to reimburse WGR for all out-of-pocket expenses including attorney fees, deposition expenses, travel, and document production expenses required to comply with a court order or other litigation requirements. If WGR is compelled to be a witness in litigation arising from this assignment, Client will reimburse WGR's customary billing rate for staff time required to comply with the court order.

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***Northeast Gaming Zone of Kansas  
Projections of Casino Visits & Gaming Revenues***

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**Information Used**

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***Northeast Gaming Zone of Kansas  
Projections of Casino Visits & Gaming Revenues***

***Section 2***

**Executive Summary**

***Northeast Gaming Zone of Kansas  
Projections of Casino Visits & Gaming Revenues***

**Executive Summary**

Kansas Entertainment/Penn National Gaming, Inc. has submitted an application to the Kansas Lottery Gaming Facility Review Board to build a large-scale lottery gaming facility on a 100-acre parcel located in Wyandotte County, Kansas, at the Kansas City Speedway. The development site is just north of the intersection of Interstate 70 (I-70) and Interstate 435 (I-435). This site commands excellent visibility and vehicle access from these two major interstates.

The Kansas Lottery Gaming Facility Review Board engaged Wells Gaming Research (WGR) to conduct an independent study of the Hollywood's application. Highlights of the scope of work included:

- Defining the project's trade area (refer to Section 1, pages 1-5 and 1-6 for a description of the trade area boundaries and map).
- Inventorying the existing trade area casino capacity.
- Analyzing the capacity impact of adding the Hollywood Casino Resort.
- Researching demographic trends for the trade area (population, both total and adult, and median household income).
- Projecting the number of casino visits for the Hollywood.
- Forecasting gaming revenues for the Hollywood.
- Conducting side by side analyses of the Hollywood's 2009 application with:

The four 2008 applicants (Golden Heartland, Hard Rock, Legends Sun, and Pinnacle Entertainment).

The four Kansas City, Missouri Casinos (Ameristar, Argosy, Harrah's, and Isle of Capri).

A summary of WGR's key research findings follow in this section. Complete detailed analyses can be found in subsequent sections.



## **Northeast Gaming Zone of Kansas** **Projections of Casino Visits & Gaming Revenues**

### **Gaming Capacities & Amenities**

The northeast trade area currently has 13 casinos equipped with the gaming capacities and amenities listed in Exhibit 2-1. The capacity increases linked to phase 1 (scenario 1) and to the full build out (scenario 3) of the Hollywood Casino's proposal are also shown.

**Exhibit 2-1 Gaming Capacity for the Northeast Trade Area**

| Casino                             | # of Slots    | # of Tables | # of Poker | # of Total Tables | # of Bingo Seats | Race-book | S.F. Casino    | S.F. Convention | # of Rooms   | # of Restaurants | Entertainment Venues | Parking       |
|------------------------------------|---------------|-------------|------------|-------------------|------------------|-----------|----------------|-----------------|--------------|------------------|----------------------|---------------|
| <b>Current Capacity</b>            |               |             |            |                   |                  |           |                |                 |              |                  |                      |               |
| Existing 13 Casinos                | 16,379        | 348         | 70         | 418               | 868              | 1         | 696,491        | 107,520         | 1,553        | 47               | 18                   | 18,800        |
| <b>Scenario 1 - Phase 1</b>        |               |             |            |                   |                  |           |                |                 |              |                  |                      |               |
| Hollywood Casino                   | 2,300         | 61          | 25         | 86                | 0                | 0         | 100,000        | 0               | 0            | 3                | 1                    | 2,785         |
| <b>Total</b>                       | <b>18,679</b> | <b>409</b>  | <b>95</b>  | <b>504</b>        | <b>868</b>       | <b>1</b>  | <b>796,491</b> | <b>107,520</b>  | <b>1,553</b> | <b>50</b>        | <b>19</b>            | <b>21,585</b> |
| <b>Scenario 3 - Full Build Out</b> |               |             |            |                   |                  |           |                |                 |              |                  |                      |               |
| Hollywood Casino                   | 3,000         | 75          | 25         | 100               | 0                | 0         | 128,450        | 60,000          | 500          | 5                | 2                    | 4,685         |
| <b>Total</b>                       | <b>19,379</b> | <b>423</b>  | <b>95</b>  | <b>518</b>        | <b>868</b>       | <b>1</b>  | <b>824,941</b> | <b>167,520</b>  | <b>2,053</b> | <b>52</b>        | <b>20</b>            | <b>23,485</b> |

Data Source: Wells Gaming Research, October 2009.

Key current capacity statistic totals include 16,379 slot machines, 418 table games (348 other games and 70 poker), and 1,553 casino hotel rooms.

**Scenario 1** - phase 1 of the proposed Hollywood Casino Resort, scheduled to be operational in 2012, would add 2,300 slot machines and 86 table games, bringing the trade area total to 18,679 slot machines (up by 14%) and 504 table games (up by 21%). There would be no change in the number of hotel rooms.

**Scenario 3** – the full build out for the Hollywood would add 3,000 slot machines, 100 table games, and 500 hotel rooms. The slot count would increase from 16,379 to 19,379 (18%), total table games from go from a total of 418 to 518 (24%), and the number of hotel rooms would increase from 1,553 to 2,053 (32%).

## ***Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues***

### **Trade Area Demographics**

Population concentrations show that on a percent of total basis approximately 47% of the trade area's adult population is located in Kansas, 53% in Missouri, and 1% in Nebraska (these statistics trend across the three periods analyzed, 2000, 2009, and 2015). Refer to Exhibit 2-2.

Corresponding median household income statistics for the northeast trade area for 2013 have been forecasted at \$62,966. The breakdown shows \$68,339 for the Kansas segment, \$58,332 for the Missouri portion, and \$43,465 for the Nebraska section.

By 2015, median household income levels for the northeast trade area have been forecasted to increase to \$66,335 (\$72,039 for Kansas segment, \$61,355 for the Missouri portion, and \$45,746 for the Nebraska part).

The US Census Bureau projects MHI at \$58,606 for the US in 2013 and \$61,464 in 2015.

**Exhibit 2-2 Demographic Statistics for the Trade Area**

| State          | 2000             |                  |               |                 | 2013             |                  |               |                 | 2015             |                  |               |                 |
|----------------|------------------|------------------|---------------|-----------------|------------------|------------------|---------------|-----------------|------------------|------------------|---------------|-----------------|
|                | Total Pop        | Adult Pop        | % Adult by ST | MHI             | Total Pop        | Adult Pop        | % Adult by ST | MHI             | Total Pop        | Adult Pop        | % Adult by ST | MHI             |
| Kansas         | 1,389,813        | 957,425          | 45.9%         | \$47,588        | 1,583,697        | 1,091,722        | 47.2%         | \$68,339        | 1,617,854        | 1,115,499        | 47.4%         | \$72,039        |
| Missouri       | 1,587,570        | 1,116,125        | 53.5%         | \$40,882        | 1,723,543        | 1,211,113        | 52.3%         | \$58,322        | 1,746,180        | 1,226,926        | 52.1%         | \$61,355        |
| Nebraska       | 20,194           | 14,433           | 0.7%          | \$30,331        | 17,452           | 12,464           | 0.5%          | \$43,465        | 17,246           | 12,317           | 0.5%          | \$45,746        |
| <b>Total</b>   | <b>2,997,577</b> | <b>2,087,983</b> | <b>100.0%</b> | <b>\$43,884</b> | <b>3,324,692</b> | <b>2,315,299</b> | <b>100.0%</b> | <b>\$62,966</b> | <b>3,381,280</b> | <b>2,354,742</b> | <b>100.0%</b> | <b>\$66,335</b> |
| <b>% Total</b> |                  | <b>69.7%</b>     |               |                 |                  | <b>69.6%</b>     |               |                 |                  | <b>69.6%</b>     |               |                 |

Data Sources: University of Nevada, Center for Regional Studies & Wells Gaming Research, October 2009.

## **Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues**

### **Casino Visits**

WGR used a proprietary gravity model to forecast the number of casino visits for the proposed Hollywood Casino. A comparison of the Hollywood's casino visits with WGR's projections is illustrated in Exhibit 2-3.

**Exhibit 2-3 Casino Visit Projections**

| <b>Hollywood - Casino Visits</b>     | <b>Phase I</b> |                | <b>Full Build Out</b> |
|--------------------------------------|----------------|----------------|-----------------------|
|                                      | <b>2013</b>    | <b>2015</b>    | <b>2015</b>           |
| Hollywood's Projections              | 2,886,285      | 2,944,299      | 4,346,206             |
| WGR's Projections                    | 2,176,205      | 2,231,036      | 3,286,997             |
| <b>Difference - Applicant vs WGR</b> | <b>710,080</b> | <b>713,263</b> | <b>1,059,209</b>      |

Data Source: Wells Gaming Research, October 2009.

### **Gaming Revenue Projections**

WGR used gravity modeling techniques to forecast the casino gaming revenues for the Hollywood Casino Resort. WGR's gravity modeling methodology has proven to be a flexible and effective tool for estimating gaming revenues for casino projects where the interplay with existing and/or proposed competing casinos could affect the future gaming revenues of a particular project (refer to Section-1, pages 1-7 through 1-9 for additional information on WGR's gravity modeling methodology).

WGR's forecasts include impact of the 2008-2009 ongoing recession, and a 3% inflation factor beginning in 2011.

The variances between the Hollywood's forecasts and WGR's projections are illustrated in Exhibit 2-4.

**Exhibit 2-4 Gaming Revenue Projections**

| <b>Hollywood - Gaming Revenues</b>   | <b>Phase I</b>           |                          | <b>Full Build Out</b>    |
|--------------------------------------|--------------------------|--------------------------|--------------------------|
|                                      | <b>2013 <sup>1</sup></b> | <b>2015 <sup>1</sup></b> | <b>2015 <sup>2</sup></b> |
| Hollywood's Projections              | \$220,184,894            | \$231,331,753            | \$326,784,894            |
| WGR's Projections                    | \$158,312,687            | \$172,122,280            | \$255,094,099            |
| <b>Difference - Applicant vs WGR</b> | <b>\$61,872,207</b>      | <b>\$59,209,473</b>      | <b>\$71,690,795</b>      |

1. **WGR's Phase 1** – At the 68% confidence interval (one standard deviation from the mean, assuming a normal distribution) revenues can be expected to vary +16% and -18%. In other words, predicted revenues can be expected to fall within this range 68% of the time.
2. **WGR's Full Build Out** - At the 68% confidence interval (one standard deviation from the mean, assuming normal distribution) revenues could be expected to vary +8% and -10%, i.e., gaming revenue projections could be expected to fall within this range 68% of the time.

Data Source: Wells Gaming Research, October 2009.

## **Northeast Gaming Zone of Kansas** **Projections of Casino Visits & Gaming Revenues**

### **Key 2009 Applicant Forecasts Compared with WGR & the 2008 Applicants**

Highlights of the Hollywood's forecasts (both Phase 1 and Full Build Out) compared with WGR and the 2008 applicants are illustrated in Exhibit 2-5. It is important to note that due to the availability of data, a timing difference does exist between the Hollywood's 2015 forecasts for the Full Build Out (FBO) and the 2012 projections made for the 2008 applicants. This comparison is presented to give perspective on the 2009 applicant's project versus the 2008 applicants' projects that were submitted to the Kansas Lottery Gaming Facility Review Board.

**Exhibit 2-5 Hollywood Casino Resort versus WGR & the 2008 Applicants**

|                           | <b>Hollywood Casino<br/>KS</b> |                                  | <b>2008 Applications <sup>1</sup></b><br>(Projections Made by WGR for 2012) |                      |                        |                                   |
|---------------------------|--------------------------------|----------------------------------|---|----------------------|------------------------|-----------------------------------|
|                           | <b>Phase 1<br/>(2012)</b>      | <b>Full Build<br/>Out (2015)</b> | <b>Golden Heartland<br/>Phase I</b>   | <b>Hard<br/>Rock</b> | <b>Legends<br/>Sun</b> | <b>Pinnacle<br/>Entertainment</b> |
| <b>Capital Investment</b> | \$361,000,000                  | \$627,500,000                    | \$660,000,000   | \$706,000,000        | \$767,000,000          | \$650,000,000                     |
| <b>Gaming Revenues</b>    |                                |                                  |   |                      |                        |                                   |
| Applicants                | \$201,469,177                  | \$326,784,894                    | \$266,085,000   | \$358,073,088        | \$281,568,300          | \$401,456,200                     |
| WGR                       | \$151,850,405                  | \$255,094,099                    | \$178,259,568   | \$226,739,520        | \$163,362,192          | \$193,145,094                     |
| <b>Gaming Capacity</b>    |                                |                                  |   |                      |                        |                                   |
| # of Slots                | 2,300                          | 3,000                            | 2,500   | 3,000                | 2,000                  | 2,300                             |
| # of Tables Games         | 86                             | 100                              | 98  | 140                  | 85                     | 85                                |
| <b>Hotel Rooms</b>        | 0                              | 500                              | 300   | 300                  | 350                    | 500                               |

**Footnotes:**

1. Recap of WGR's presentation to the Lottery Gaming Review Board in September 2008.

Data Source: Wells Gaming Research, October 2009.

### **Capital Investment**

**Phase 1** - Variances between the Hollywood's Phase 1 proposed \$361 million investment and the 2008 applicants illustrate that Hollywood Phase 1 is:

- \$299 million (45%) lower than Golden Heartland's Phase 1 \$660 million
- \$345 million (49%) lower than the Hard Rock's \$706 million
- \$406 million (53%) lower than the Legends Sun's \$767 million
- \$289 million (45%) lower than Pinnacle's \$650 million

**Full Build Out** - Variances show that the Hollywood's FBO proposed investment of \$627.5 million is:

- \$32.5 million (5%) lower than Golden Heartland's Phase 1 \$660 million
- \$78.5 million (11%) lower than the Hard Rock's \$706 million
- \$139.5 million (18%) lower than the Legends Sun's \$767 million

## ***Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues***

- \$22.5 million (4%) lower than Pinnacle's \$650 million

### **Gaming Revenues**

Exhibit 2-5, page 2-5 shows the following gaming revenue variances.

#### **Hollywood 2009 application vs. WGR projections**

**Phase 1** – the Hollywood's \$201 million projection for 2012 is:

- \$50 million (24.6%) higher than WGR's \$152 million

**Full Build Out** – the Hollywood's projection of \$327 million for 2015 is:

- \$72 million (21.9%) higher than WGR's \$255 million

#### **Hollywood 2009 application vs. 2008 applicants**

**Phase 1** - Hollywood's \$201.5 million in gaming revenue is:

- \$64.6 million (24%) lower than the Golden Heartland's \$266 million
- \$156.6 million (44%) lower than the Hard Rock's \$358 million
- \$80.1 million (29%) lower than the Legends Sun's \$282 million
- \$200.0 million (50%) lower than Pinnacle Entertainment's \$401 million

**Full Build Out** - Hollywood's \$327 million in gaming revenue is:

- \$60.7 million (23%) higher than the Golden Heartland's \$266 million
- \$31.3 million (9%) lower than the Hard Rock's \$358 million
- \$45.2 million (16%) higher than the Legends Sun's \$282 million
- \$74.7 million (18%) lower than Pinnacle Entertainment's \$401 million

### **Slot Machines**

Slot projections for the Hollywood vs. the 2008 applicants shows the following differences:

**Phase 1** – the Hollywood's proposed 2,300 slots are:

- 200 lower than Golden Heartland's 2,500 (8% lower)
- 700 lower than the Hard Rock's 3,000 (23% lower)
- 300 higher than the Legends Sun's 2,000 million (15% higher)
- Equal to Pinnacle's 2,300 slots

**Full Build Out** - Variances between the Hollywood's proposed 3,000 slots and the 2008 applicants shows that the Hollywood is:

- 500 slots higher than Golden Heartland's 2,500 (20% higher)
- Equal to the Hard Rock's 3,000
- 1,000 higher than the Legends Sun's 2,000 million (50% higher)
- 700 higher than Pinnacle's 2,300 (30%)

***Northeast Gaming Zone of Kansas***  
***Projections of Casino Visits & Gaming Revenues***

**Total Table Games**

Following are the table game variances between the Hollywood 2009 application and the 2008 applicants:

**Phase 1** – the Hollywood’s proposed 86 table games are:

- 12 tables lower than Golden Heartland’s 98 (12% lower)
- 54 lower than the Hard Rock’s 140 (39% lower)
- 1 higher than the Legends Sun’s 85 (1% higher)
- 1 higher than the Pinnacle’s 85 (1% higher)

**Full Build Out** – the Hollywood’s proposed 100 table games are:

- 2 tables higher than Golden Heartland’s 98 (2% lower)
- 40 lower than the Hard Rock’s 140 (29% lower)
- 15 higher than the Legends Sun’s 85 (18% higher)
- 15 higher than the Pinnacle’s 85 (18% higher)

**Hotel Rooms**

The Hollywood’s Phase 1 proposal did not include hotel rooms; however, 500 rooms were proposed for Full Build Out. This compares with an equal number for Pinnacle Entertainment, 300 for both the Golden Heartland and Hard Rock, and 350 for the Legends Sun.

## **Northeast Gaming Zone of Kansas** **Projections of Casino Visits & Gaming Revenues**

### **Hollywood vs. the Four Kansas City, Missouri Casinos**

Exhibit 2-6 highlights key differences between the Hollywood's proposal (Phase 1 for 2012 and FBO out for 2015), WGR's forecasts for the Hollywood, and the actual performance for the four Kansas City, Missouri casinos for the 12 months ending July 31, 2009. As with the 2008 applicants, a timing difference does exist between the Hollywood's forecasts for 2012 and 2015 and the Kansas City, Missouri actual.

**Exhibit 2-6 Hollywood Casino Resort versus the 4 Kansas City, Missouri Casinos**

|                                     | <b>Hollywood Casino<br/>KS</b> |                                  | <b>Kansas City, Missouri Casinos<br/>(Actual 2009) <sup>2</sup></b> |               |                 |                          |
|-------------------------------------|--------------------------------|----------------------------------|---|---------------|-----------------|--------------------------|
|                                     | <b>Phase I<br/>(2012)</b>      | <b>Full Build Out<br/>(2015)</b> | <b>Ameristar</b>  | <b>Argosy</b> | <b>Harrah's</b> | <b>Isle<br/>of Capri</b> |
| <b>Gaming Revenues <sup>2</sup></b> |                                |                                  |   |               |                 |                          |
| Applicant vs Actual KC, MO Casinos  | \$201,469,177                  | \$326,784,894                    | \$242,413,197   | \$198,979,020 | \$197,457,366   | \$81,717,398             |
| WGR                                 | \$151,850,405                  | \$255,094,099                    | NA  | NA            | NA              | NA                       |
| <b>Difference</b>                   | <b>\$49,618,772</b>            | <b>\$71,690,795</b>              | NA  | NA            | NA              | NA                       |
| <b>% Difference</b>                 | <b>24.6%</b>                   | <b>21.9%</b>                     |   |               |                 |                          |
| <b>Gaming Capacity</b>              |                                |                                  |   |               |                 |                          |
| # of Slots                          | 2,300                          | 3,000                            | 3,022   | 1,962         | 1,793           | 1,525                    |
| # of Tables Games                   | 86                             | 100                              | 105   | 47            | 85              | 16                       |
| <b>Hotel Rooms</b>                  | 0                              | 500                              | 184   | 258           | 392             | 0                        |

**Footnotes:**

1. Gaming revenues and casino visits for the four Kansas City, Missouri casinos were based on 12 months actual ending July 31, 2009.
2. Comparisons of the Hollywood's gaming revenue projections with WGR's corresponding forecasts were shown in Exhibit 2-5 and discussed on pages 2-7 and 2 for both phase 1 and the full build out.

Data Source: Wells Gaming Research, October 2009.

**Gaming Revenue Comparisons** between the Hollywood's \$201 million gaming revenue projection and actual gaming revenues for the Kansas City, Missouri casinos shows that the Hollywood is:

#### **Phase 1**

- 17% (\$41 million) lower than Ameristar's \$242.4 million
- 1% (\$2.5 million) higher than the Argosy's \$199.0 million
- 2% (\$4 million) higher than the Harrah's \$197.5 million
- 146% (\$119.8 million) higher than the Isle of Capri's \$81.7 million

**Full Build Out** – the Hollywood's gaming revenue projection of \$326.8 million is:

- 48% (\$84.4 million) higher than Ameristar's \$242.4 million
- 64% (\$127.8 million) higher than the Argosy's \$199 million
- 65% (\$129.3 million) higher than the Harrah's \$197.5 million
- 300% (\$245.1 million) higher than the Isle of Capri's \$81.7 million

## ***Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues***

### **Slot Machines**

Compared to the Kansas City, Missouri casinos, the Hollywood's proposed 2,300 slots are:

#### **Phase 1**

- 722 (24%) lower than Ameristar's 3,022
- 338 (17%) higher than the Argosy's 1,962
- 507 (28%) higher than the Harrah's 1,793
- 775 (51%) higher than the Isle of Capri's 1,525

**Full Build Out** – slot capacity projections of 3,000 slots are:

- 22 (1%) lower than Ameristar's 3,022
- 1,038 (53%) higher than the Argosy's 1,962
- 1,207 (67%) higher than the Harrah's 1,793
- 1,475 (97%) higher than the Isle of Capri's 1,525

### **Total Table Games**

Capacity variances between the Hollywood project and the Kansas City, Missouri casinos show that the Hollywood's proposed 86 table games are:

#### **Phase 1**

- 19 (18%) lower than Ameristar's 105
- 39 (83%) higher than the Argosy's 47
- 1 (1%) higher than the Harrah's 85
- 70 (438%) higher than the Isle of Capri's 16

**Full Build Out** – the Hollywood's proposed 100 table games are:

- 5 (5%) lower than Ameristar's 105
- 53 (113%) higher than the Argosy's 47
- 15 (18%) higher than the Harrah's 85
- 84 (525%) higher than the Isle of Capri's 16

### **Hotel Rooms**

Hotel rooms were not included in the Hollywood's Phase 1 proposal; however, 500 rooms were proposed for Full Build Out. Comparison with the Kansas City, Missouri casinos shows that that the Hollywood's projection for FBO is:

- 316 (172%) higher than Ameristar's 184
- 242 (93.8%) higher than the Argosy's 258
- 108 (27.6%) higher than the Harrah's 392
- 500 higher than the Isle of Capri's 0



***Northeast Gaming Zone of Kansas  
Projections of Casino Visits & Gaming Revenues***

***Section 3***

**Hollywood Casino Detail**

## ***Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues***

### **Hollywood Casino Detail**

Kansas Entertainment/Penn National, Inc. is proposing to build a large-scale project on a 100-acre parcel located at the Kansas City Speedway (821 Speedway Boulevard). The development site is just north of the intersection of Interstate 70 (I-70) and Interstate 435 (I-435). It commands excellent visibility and vehicle access from these two major interstates. It is 11 miles west of downtown Kansas City, seven miles northeast of Bonner Springs, and 4 miles north of Edwardsville. Extensive infrastructure is already in place, including some surface parking and utilities.



## **Northeast Gaming Zone of Kansas** **Projections of Casino Visits & Gaming Revenues**

### **Facility Statistics & Amenities**

Exhibit 3-1 shows the capacity statistics and amenities proposed for phase 1 (opening status of project in 2012) and the full project build out in 2015.

**Exhibit 3-1**  
**Phase-1 versus Full Build Out**

|   | <b>Phase I<br/>(Opening Status)</b> | <b>Full<br/>Build Out</b> |
|---|-------------------------------------|---------------------------|
| <b>Project Capacities<br/>&amp; Amenities</b> | <b>2012</b>                         | <b>2015</b>               |
| Capital Investment                            | \$361,000,000                       | \$627,500,000             |
| Casino Sq Ft                                  | 100,000                             | 128,450                   |
| # of Slots                                    | 2,300                               | 3,000                     |
| # of Tables                                   | 61                                  | 75                        |
| # of Poker                                    | 25                                  | 25                        |
| # of Hotel Rooms                              | 0                                   | 500                       |
| # of Restaurants                              | 3                                   | 5                         |
| # of Entertainment Venues                     | 1                                   | 2                         |
| Convention Sq Ft                              | 0                                   | 60,000 <sup>1</sup>       |
| # of Parking Spaces                           | 2,785                               | 4,685                     |
| # of Retail Outlets - Sq Ft                   | 2                                   |                           |
| # of FTE's (full time equivalents)            | 1,129                               |                           |
| <b>Applicant Estimates</b>                    | <b>2013</b>                         | <b>2015</b>               |
| Total Number of Gaming Visits                 | 2,886,286                           | 4,346,206                 |
| Total Gaming Revenue                          | \$220,184,894                       | \$326,784,894             |

**Footnote:**

1. Multipurpose meeting and entertainment venue.

Data Source: Wells Gaming Research, October 2009.

### **Capital Investment**

The Hollywood is planning to invest \$361 million for Phase 1 increasing to \$627.5 million for the full build out.

### **Casino Size & Capacity**

A 100,000 sq. ft. state-of-the-art casino facility equipped with 2,300 slot machines and 86 table games (25 tables would be dedicated to poker) is planned for phase 1.

The casino size for the full build out would be increased to 128,450 sq. ft. equipped with 3,000 slots and 100 tables (25 tables would be dedicated to poker).

### **Hotel**

A 500-room hotel is planned for the full build out. The quality of the standard rooms would be equal to or a cut above the typical casino hotel rooms that are

## ***Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues***

available in the greater Kansas City area. Premium rooms would have an upscale hotel-suite amenity package and would include VIP suites.

### **Restaurants**

Three restaurants are planned for phase 1: a coffee shop, buffet, and a steakhouse (two additional restaurants are proposed for the full build out).

### **Bars**

Two bars are included in phase 1.

### **Music/Entertainment & Meetings/Conventions**

One entertainment venue is planned for phase 1. A 60,000 sq. ft. multipurpose entertainment/convention space is planned for the full build out. The multipurpose space would provide for a second entertainment venue, as well as for conventions and meetings.

### **Parking Facilities**

Phase-1 includes 2,785 spaces, 1,500 covered and 1,285 surface. The template included 279 valet and 500 employee, both of which appear to be included in the total. The full build out includes 4,685 parking spaces.

### **Retail Outlets**

Two are included for the project: a 2,500 square foot memorabilia store offering branded merchandise, and a 1,895 square foot 24-hour, gourmet coffee store.

### **FTE's (full time equivalents)**

Phase-1 includes 1,129 FTEs. The number required to operate a full build out casino entertainment center was not provided.

### **Applicant Estimates of Casino Visits & Gaming Revenues**

Refer to pages 3-10 and 3-11 for a detailed discussion on the Hollywood's estimated casino visits and gaming revenues.

# Northeast Gaming Zone of Kansas

## Projections of Casino Visits & Gaming Revenues

### Gaming Capacity

A listing of the existing capacity for the Northeast trade area is summarized in Exhibit 3-2.

**Exhibit 3-2 Current Gaming Capacity for the Northeast Trade Area**

| # of Loc         | Casinos   | # of Slots    | # of Tables  | # of Poker   | # of Total Tables | # of Bingo Seats | Race-book     | Casino S.F.    | Convention S.F. | # of Rooms   | # of Restaurants | Entertainment | Parking       |
|------------------|---|---------------|--------------|--------------|-------------------|------------------|---------------|----------------|-----------------|--------------|------------------|---------------|---------------|
| <b>Iowa:</b>     |   |               |              |              |                   |                  |               |                |                 |              |                  |               |               |
| 1                | Terrible's Lakeside Casino                          | 1,000         | 22           | 2            | 24                | 0                | 0             | 37,480         | 8,000           | 60           | 2                | 2             | 1,500         |
|                  | <b>Subtotal of Iowa</b>                             | <b>1,000</b>  | <b>22</b>    | <b>2</b>     | <b>24</b>         | <b>0</b>         | <b>0</b>      | <b>37,480</b>  | <b>8,000</b>    | <b>60</b>    | <b>2</b>         | <b>2</b>      | <b>1,500</b>  |
|                  | <b>% of Total</b>                                   | <b>6.1%</b>   | <b>6.3%</b>  | <b>2.9%</b>  | <b>5.7%</b>       | <b>0.0%</b>      | <b>0.0%</b>   | <b>5.4%</b>    | <b>7.4%</b>     | <b>3.9%</b>  | <b>4.3%</b>      | <b>11.1%</b>  | <b>8.0%</b>   |
| <b>Kansas:</b>   |   |               |              |              |                   |                  |               |                |                 |              |                  |               |               |
| 2                | Casino White Cloud                                  | 360           | 6            | 1            | 7                 | 500              | 0             | 21,000         | 0               | 0            | 1                | 0             | 500           |
| 3                | Golden Eagle Casino                                 | 794           | 13           | 7            | 20                | 368              | 0             | 45,000         | 15,000          | 0            | 2                | 1             | 700           |
| 4                | Prairie Band Casino & Resort                        | 1,057         | 29           | 4            | 33                | 0                | 0             | 34,878         | 12,000          | 297          | 3                | 1             | 1,000         |
| 5                | Sac & Fox Casino                                    | 800           | 11           | 4            | 15                | 0                | 0             | 106,000        | 0               | 0            | 3                | 0             | 400           |
| 6                | Wyandotte 7th Street Casino                         | 560           | 0            | 0            | 0                 | 0                | 0             | 20,000         | 0               | 0            | 1                | 0             | 0             |
|                  | <b>Subtotal of Kansas</b>                           | <b>3,571</b>  | <b>59</b>    | <b>16</b>    | <b>75</b>         | <b>868</b>       | <b>0</b>      | <b>226,878</b> | <b>27,000</b>   | <b>297</b>   | <b>10</b>        | <b>2</b>      | <b>2,600</b>  |
|                  | <b>% of Total</b>                                   | <b>21.8%</b>  | <b>17.0%</b> | <b>22.9%</b> | <b>17.9%</b>      | <b>100.0%</b>    | <b>0.0%</b>   | <b>32.6%</b>   | <b>25.1%</b>    | <b>19.1%</b> | <b>21.3%</b>     | <b>11.1%</b>  | <b>13.8%</b>  |
| <b>Missouri:</b> |   |               |              |              |                   |                  |               |                |                 |              |                  |               |               |
| 7                | Ameristar Casino Hotel - Kansas City                | 3,022         | 90           | 15           | 105               | 0                | 0             | 140,000        | 14,520          | 184          | 10               | 3             | 2,660         |
| 8                | Argosy Casino Hotel & Spa                           | 1,962         | 39           | 8            | 47                | 0                | 0             | 62,000         | 19,000          | 258          | 5                | 3             | 2,535         |
| 9                | Harrah's North Kansas City Casino & Hotel           | 1,793         | 60           | 15           | 75                | 0                | 0             | 60,133         | 10,000          | 392          | 6                | 1             | 3,122         |
| 10               | Isle of Capri Casino - Kansas City Riverboat Casino | 1,525         | 16           | 0            | 16                | 0                | 0             | 40,000         | 0               | 0            | 5                | 1             | 1,618         |
| 11               | Isle of Capri Casino and Hotel - Boonville          | 950           | 21           | 0            | 21                | 0                | 0             | 28,000         | 12,000          | 140          | 3                | 1             | 1,102         |
| 12               | Terrible's St. Jo Frontier Casino                   | 556           | 11           | 0            | 11                | 0                | 0             | 32,000         | 7,000           | 0            | 1                | 2             | 663           |
|                  | <b>Subtotal of Missouri</b>                         | <b>9,808</b>  | <b>237</b>   | <b>38</b>    | <b>275</b>        | <b>0</b>         | <b>0</b>      | <b>362,133</b> | <b>62,520</b>   | <b>974</b>   | <b>30</b>        | <b>11</b>     | <b>11,700</b> |
|                  | <b>% of Total</b>                                   | <b>59.9%</b>  | <b>68.1%</b> | <b>54.3%</b> | <b>65.8%</b>      | <b>0.0%</b>      | <b>0.0%</b>   | <b>52.0%</b>   | <b>58.1%</b>    | <b>62.7%</b> | <b>63.8%</b>     | <b>61.1%</b>  | <b>62.2%</b>  |
| <b>Oklahoma:</b> |   |               |              |              |                   |                  |               |                |                 |              |                  |               |               |
| 13               | Downstream Casino Resort                            | 2,000         | 30           | 14           | 44                | 0                | 1             | 70,000         | 10,000          | 222          | 5                | 3             | 3,000         |
|                  | <b>Subtotal of Oklahoma</b>                         | <b>2,000</b>  | <b>30</b>    | <b>14</b>    | <b>44</b>         | <b>0</b>         | <b>1</b>      | <b>70,000</b>  | <b>10,000</b>   | <b>222</b>   | <b>5</b>         | <b>3</b>      | <b>3,000</b>  |
|                  | <b>% of Total</b>                                   | <b>12.2%</b>  | <b>8.6%</b>  | <b>20.0%</b> | <b>10.5%</b>      | <b>0.0%</b>      | <b>100.0%</b> | <b>10.1%</b>   | <b>9.3%</b>     | <b>14.3%</b> | <b>10.6%</b>     | <b>16.7%</b>  | <b>16.0%</b>  |
|                  | <b>Total - 13 Existing Casinos</b>                  | <b>16,379</b> | <b>348</b>   | <b>70</b>    | <b>418</b>        | <b>868</b>       | <b>1</b>      | <b>696,491</b> | <b>107,520</b>  | <b>1,553</b> | <b>47</b>        | <b>18</b>     | <b>18,800</b> |

**Existing capacity** statistics indicate the Missouri casinos have the majority of the gaming capacity in the northeast trade area (59.9% of the slot machines and 65.8% of the total table games). Kansas ranked second with 21.8% of the slot machines and 17.9% of the table games.

# Northeast Gaming Zone of Kansas

## Projections of Casino Visits & Gaming Revenues

**Exhibit 3-3 NE Trade Area Gaming Capacity with the Hollywood**

| Casino   | # of Slots    | # of Tables | # of Poker | # of Total Tables | # of Bingo Seats | Race-book | S.F. Casino    | S.F. Convention | # of Rooms   | # of Restaurants | Entertainment Venues | Parking       |
|--|---------------|-------------|------------|-------------------|------------------|-----------|----------------|-----------------|--------------|------------------|----------------------|---------------|
| <b>Current Capacity for Existing Casinos</b>               |               |             |            |                   |                  |           |                |                 |              |                  |                      |               |
| Existing 13 Casinos  | 16,379        | 348         | 70         | 418               | 868              | 1         | 696,491        | 107,520         | 1,553        | 47               | 18                   | 18,800        |
| <b>Scenario 1 - Hollywood Casino Kansas Phase 1</b>        |               |             |            |                   |                  |           |                |                 |              |                  |                      |               |
| Hollywood Casino Kansas                                    | 2,300         | 61          | 25         | 86                | 0                | 0         | 100,000        | 0               | 0            | 3                | 1                    | 2,785         |
| <b>Total Existing &amp; New Casinos</b>                    | <b>18,679</b> | <b>409</b>  | <b>95</b>  | <b>504</b>        | <b>868</b>       | <b>1</b>  | <b>796,491</b> | <b>107,520</b>  | <b>1,553</b> | <b>50</b>        | <b>19</b>            | <b>21,585</b> |
| <b>Percent Change Over Current</b>                         | <b>14%</b>    | <b>18%</b>  | <b>36%</b> | <b>21%</b>        | <b>0%</b>        | <b>0%</b> | <b>14%</b>     | <b>0%</b>       | <b>0%</b>    | <b>6%</b>        | <b>6%</b>            | <b>15%</b>    |
| <b>Scenario 3 - Hollywood Casino Kansas Full Build Out</b> |               |             |            |                   |                  |           |                |                 |              |                  |                      |               |
| Hollywood Casino Kansas                                    | 3,000         | 75          | 25         | 100               | 0                | 0         | 128,450        | 60,000          | 500          | 5                | 2                    | 4,685         |
| <b>Total Existing &amp; New Casinos</b>                    | <b>19,379</b> | <b>423</b>  | <b>95</b>  | <b>518</b>        | <b>868</b>       | <b>1</b>  | <b>824,941</b> | <b>167,520</b>  | <b>2,053</b> | <b>52</b>        | <b>20</b>            | <b>23,485</b> |
| <b>Percent Change Over Current</b>                         | <b>18%</b>    | <b>22%</b>  | <b>36%</b> | <b>24%</b>        | <b>0%</b>        | <b>0%</b> | <b>18%</b>     | <b>56%</b>      | <b>32%</b>   | <b>11%</b>       | <b>11%</b>           | <b>25%</b>    |

Data Source: Wells Gaming Research, October 2009.

**Scenario 1** includes the current gaming capacity and visitor amenities plus the capacities and amenities embedded in phase 1 of the proposed Hollywood Casino Resort, scheduled to be operational in 2013. The addition of 2,300 slot machines and 86 table games included in phase 1 would ratchet up the number of slots in the trade area from 16,379 to 18,679 (14%) and the total number of table games from 418 to 504 (21%).

**Scenario 3** includes the current gaming capacity and visitor amenities plus the full build out for the Hollywood. The full build out includes the addition of 3,000 slot machines, 100 table games, and 500 hotel rooms. The full build out scenario would increase slots from 16,379 to 19,379 (18%), total table games from 418 to 518 (24%), casino square footage from 696,491 to 824,941 (18%), and the number of hotel rooms from 1,553 to 2,053 (32%).

# Northeast Gaming Zone of Kansas

## Projections of Casino Visits & Gaming Revenues

### Demographic Statistics

Demographic statistics (total and adult population, and median household income) were compiled, by research category, for the northeast trade area. Included are demographic statistics for each of the five counties contiguous with Wyandotte, as well as a combined total for the contiguous counties. Other trade area categories include demographic statistics for the 28 non-contiguous Kansas counties, for the 35 non-contiguous Missouri counties, the three northeast counties as a group, and for the 72 counties that make up the total trade area.

### Total Population of the Contiguous Counties

Exhibit 3-4 shows 2009 population of approximately 1.75 million for the counties contiguous with Wyandotte. Projections for 2015 show an increase to 1.88 million. The resulting average compound growth rate for the contiguous counties has been estimated at 1.16% for 2009 through 2015. The highest population concentrations will continue to be in Jackson County, Missouri (36.3%) and Johnson County, Kansas (33.2%).

**Exhibit 3-4 - Total Population - 2000 & 2008 through 2015<sup>1</sup>**

| # of CO   | County                              | 2000             | 2008             | 2009             | 2010             | 2011             | 2012             | 2013             | 2014             | 2015             | % Contiguous 2015   | CACGR         |
|-----------|-------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|---------------------|---------------|
|           | Johnson County, KS                  | 451,086          | 534,096          | 545,628          | 557,413          | 570,460          | 583,128          | 596,074          | 609,305          | 622,833          | 33.17%              | 2.23%         |
|           | Leavenworth County, KS              | 68,691           | 74,275           | 75,156           | 76,047           | 77,044           | 77,990           | 78,945           | 79,914           | 80,895           | 4.31%               | 1.23%         |
|           | Wyandotte County, KS                | 157,882          | 154,285          | 153,922          | 153,546          | 153,441          | 153,156          | 152,878          | 152,594          | 152,320          | 8.11%               | -0.17%        |
|           | Clay County, MO                     | 184,006          | 215,707          | 220,032          | 224,453          | 227,528          | 231,608          | 235,763          | 239,995          | 244,303          | 13.01%              | 1.76%         |
|           | Jackson County, MO                  | 654,880          | 668,411          | 669,919          | 671,432          | 674,044          | 675,928          | 677,816          | 679,711          | 681,615          | 36.30%              | 0.29%         |
|           | Platte County, MO                   | 73,781           | 85,896           | 87,350           | 88,832           | 89,892           | 91,264           | 92,655           | 94,070           | 95,507           | 5.09%               | 1.50%         |
|           | <b>Total Contiguous Counties</b>    |                  |                  |                  |                  |                  |                  |                  |                  | <b>1,877,473</b> | <b>% Total 2015</b> |               |
| <b>6</b>  | <b>Total Contiguous Counties</b>    | <b>1,590,326</b> | <b>1,732,670</b> | <b>1,752,007</b> | <b>1,771,723</b> | <b>1,792,409</b> | <b>1,813,074</b> | <b>1,834,131</b> | <b>1,855,589</b> | <b>1,877,473</b> | <b>55.53%</b>       | <b>1.16%</b>  |
| <b>28</b> | <b>KS excl. Contiguous Counties</b> | <b>712,154</b>   | <b>742,202</b>   | <b>744,278</b>   | <b>746,432</b>   | <b>750,122</b>   | <b>752,924</b>   | <b>755,800</b>   | <b>758,760</b>   | <b>761,806</b>   | <b>22.53%</b>       | <b>0.39%</b>  |
| <b>35</b> | <b>MO excl. Contiguous Counties</b> | <b>674,903</b>   | <b>699,693</b>   | <b>703,015</b>   | <b>706,393</b>   | <b>710,094</b>   | <b>713,680</b>   | <b>717,309</b>   | <b>720,999</b>   | <b>724,755</b>   | <b>21.43%</b>       | <b>0.51%</b>  |
| <b>3</b>  | <b>NE Counties</b>                  | <b>20,194</b>    | <b>17,980</b>    | <b>17,851</b>    | <b>17,722</b>    | <b>17,663</b>    | <b>17,557</b>    | <b>17,452</b>    | <b>17,349</b>    | <b>17,246</b>    | <b>0.51%</b>        | <b>-0.57%</b> |
| <b>72</b> | <b>Total Population</b>             | <b>2,997,577</b> | <b>3,192,545</b> | <b>3,217,151</b> | <b>3,242,270</b> | <b>3,270,288</b> | <b>3,297,235</b> | <b>3,324,692</b> | <b>3,352,697</b> | <b>3,381,280</b> | <b>100.00%</b>      | <b>0.83%</b>  |

**Footnote:**

- The population statistics included above are limited to those counties located in the identified northeast trade area and do not include the population for the entire states of Kansas or Missouri.

Data Source: Wells Gaming Research, October 2009.

## **Northeast Gaming Zone of Kansas** **Projections of Casino Visits & Gaming Revenues**

### **Total Population Projections**

The 2009 total trade area population of 3.2 million is expected to increase to 3.3 million by 2013, and up to 3.4 million by 2015 reflecting an average compound growth rate that is somewhat less than one percent (0.83%) for the entire trade area.

### **Adult Population for Contiguous Counties**

Exhibit 3-5 reflects 2009 adult population of approximately 1.2 million for the counties contiguous with Wyandotte. The major concentrations are in Jackson County, Kansas (36.54%) and Jackson County, Missouri (33.13%). Projections for 2015 reflect an increase to 1.31 million adults for the contiguous counties. The heaviest concentrations will continue to be in Jackson County, Missouri and in Johnson County, Kansas.

**Exhibit 3-5 Adult Population - 2000 & 2008 through 2015**

| # of CO | County                       | 2000      | 2008      | 2009      | 2010      | 2011      | 2012      | 2013      | 2014      | 2015      | % Contiguous 2015 | CACGR  |
|---------|------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------------|--------|
|         | Johnson County, KS           | 314,676   | 372,585   | 380,629   | 388,848   | 397,952   | 406,788   | 415,823   | 425,052   | 434,486   | 33.13%            | 2.23%  |
|         | Leavenworth County, KS       | 47,782    | 51,664    | 52,279    | 52,897    | 53,591    | 54,251    | 54,915    | 55,590    | 56,272    | 4.29%             | 1.23%  |
|         | Wyandotte County, KS         | 105,745   | 103,339   | 103,092   | 102,843   | 102,771   | 102,579   | 102,396   | 102,199   | 102,019   | 7.78%             | -0.17% |
|         | Clay County, MO              | 129,559   | 151,880   | 154,925   | 158,038   | 160,203   | 163,077   | 166,001   | 168,979   | 172,012   | 13.12%            | 1.76%  |
|         | Jackson County, MO           | 460,385   | 469,899   | 470,957   | 472,014   | 473,855   | 475,170   | 476,516   | 477,841   | 479,183   | 36.54%            | 0.29%  |
|         | Platte County, MO            | 52,218    | 60,792    | 61,822    | 62,870    | 63,621    | 64,591    | 65,578    | 66,577    | 67,594    | 5.15%             | 1.50%  |
|         |                              |           |           |           |           |           |           |           |           | 1,313,581 | % Total 2015      |        |
| 6       | Total Contiguous Counties    | 1,110,365 | 1,210,159 | 1,223,704 | 1,237,510 | 1,251,993 | 1,266,456 | 1,281,229 | 1,296,238 | 1,311,566 | 55.70%            | 1.16%  |
| 28      | KS excl. Contiguous Counties | 489,222   | 509,223   | 510,660   | 512,146   | 514,684   | 516,615   | 518,588   | 520,633   | 522,722   | 22.20%            | 0.39%  |
| 35      | MO excl. Contiguous Counties | 473,963   | 490,920   | 493,191   | 495,503   | 498,064   | 500,528   | 503,018   | 505,557   | 508,137   | 21.58%            | 0.50%  |
| 3       | NE Counties                  | 14,433    | 12,843    | 12,751    | 12,657    | 12,616    | 12,541    | 12,464    | 12,390    | 12,317    | 0.52%             | -0.58% |
| 72      | Total Adult Population       | 2,087,983 | 2,223,145 | 2,240,306 | 2,257,816 | 2,277,357 | 2,296,140 | 2,315,299 | 2,334,818 | 2,354,742 | 100.00%           | 0.83%  |

Data Source: Wells Gaming Research, October 2009.

### **Adult Population Totals**

The total 2009 adult population of 2.2 million for the northeast trade area is expected to increase to 2.3 million by 2013, and to 2.4 million by 2015. Overall, the average compound growth rate for the adult population (2009 through 2015) is expected to be below 1% (0.83%).



## **Northeast Gaming Zone of Kansas** **Projections of Casino Visits & Gaming Revenues**

### **Median Household Income**

Exhibit 3-6 illustrates that the average 2009 median household income was \$65,396 for counties contiguous with Wyandotte. Projections for 2015 reflect an increase to \$76,481. Between 2009 and 2015, the average compound growth rate in MHI for the contiguous counties has been forecasted at 2.64%. Projections for 2015 show that Johnson County Kansas is expected to rank the highest with a MHI of \$97,827, followed by Platte County, Missouri with \$83,713. Wyandotte County has been forecasted to rank the lowest in 2015 with a MHI of \$52,194.

**Exhibit 3-6 Median Household Income - 2000 & 2008 through 2015<sup>2</sup>**

| # of CO | County                                 | 2000            | 2008            | 2009            | 2010            | 2011            | 2012            | 2013            | 2014            | 2015            | CACGR |
|---------|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------|
|         | Johnson County, KS                     | \$66,257        | \$80,508        | \$84,528        | \$84,527        | \$86,611        | \$88,746        | \$93,176        | \$95,473        | \$97,827        | 2.47% |
|         | Leavenworth County, KS                 | \$49,641        | \$60,319        | \$63,330        | \$63,330        | \$64,891        | \$66,491        | \$69,810        | \$71,530        | \$73,295        | 2.47% |
|         | Wyandotte County, KS                   | \$35,351        | \$42,955        | \$45,100        | \$45,099        | \$46,211        | \$47,351        | \$49,714        | \$50,939        | \$52,194        | 2.46% |
|         | Clay County, MO                        | \$50,570        | \$61,448        | \$64,515        | \$64,515        | \$66,106        | \$67,735        | \$71,116        | \$72,869        | \$74,666        | 2.47% |
|         | Jackson County, MO                     | \$42,197        | \$51,273        | \$53,832        | \$53,833        | \$55,160        | \$56,520        | \$59,341        | \$60,804        | \$62,303        | 2.47% |
|         | Platte County, MO                      | \$56,698        | \$68,895        | \$72,332        | \$72,333        | \$74,115        | \$75,942        | \$79,734        | \$81,699        | \$83,713        | 2.47% |
| 6       | <b>Total Contiguous Counties</b>       | <b>\$50,343</b> | <b>\$62,112</b> | <b>\$65,396</b> | <b>\$65,462</b> | <b>\$67,203</b> | <b>\$68,990</b> | <b>\$72,571</b> | <b>\$74,501</b> | <b>\$76,481</b> | 2.64% |
| 28      | <b>KS excl. Contiguous Counties</b>    | <b>\$38,025</b> | <b>\$45,410</b> | <b>\$47,577</b> | <b>\$47,503</b> | <b>\$48,583</b> | <b>\$49,690</b> | <b>\$51,946</b> | <b>\$53,131</b> | <b>\$54,343</b> | 2.24% |
| 35      | <b>MO excl. Contiguous Counties</b>    | <b>\$35,214</b> | <b>\$43,254</b> | <b>\$45,449</b> | <b>\$45,532</b> | <b>\$46,689</b> | <b>\$47,895</b> | <b>\$50,344</b> | <b>\$51,645</b> | <b>\$52,981</b> | 2.59% |
| 3       | <b>NE Counties</b>                     | <b>\$30,331</b> | <b>\$37,285</b> | <b>\$39,149</b> | <b>\$39,242</b> | <b>\$40,259</b> | <b>\$41,301</b> | <b>\$43,465</b> | <b>\$44,591</b> | <b>\$45,746</b> | 2.63% |
| 72      | <b>Average Median Household Income</b> | <b>\$43,884</b> | <b>\$53,979</b> | <b>\$56,831</b> | <b>\$56,867</b> | <b>\$58,359</b> | <b>\$59,898</b> | <b>\$62,966</b> | <b>\$64,628</b> | <b>\$66,335</b> | 2.61% |

### **MHI for the Trade Area**

Exhibit 3-6 shows that in 2009 the average MHI for the northeast trade area was \$56,831 with projections to increase to \$66,335 by 2015. However, the northeast counties as a group were projected to have a MHI of \$45,746 by 2015, which is substantially lower than for the entire trade area (\$66,355).

Overall, the average compound growth rate (2009 and 2015) for the trade area has been projected at 2.61%.

## ***Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues***

### **Casino Visits**

WGR used a proprietary gravity model to forecast the number of casino visits. A comparison of the Hollywood's forecast versus WGR's is illustrated in Exhibit 3-7.

**Exhibit 3-7 Casino Visit Projections**

|  | <b>Phase I</b>   |                  | <b>Full<br/>Build Out</b> |
|--|------------------|------------------|---------------------------|
| <b>Applicant's Casino Visit Projections</b>        | <b>2013</b>      | <b>2015</b>      | <b>2015</b>               |
| Hollywood Casino Kansas Application - Residential  | 2,490,442        | 2,540,500        | N/A                       |
| Hollywood Casino Kansas Application - Tourist      | 395,843          | 403,799          | N/A                       |
| <b>Hollywood Casino Kansas Application - Total</b> | <b>2,886,285</b> | <b>2,944,299</b> | <b>4,346,206</b>          |
| <b>WGR's Casino Visit Projections</b>              | <b>2013</b>      | <b>2015</b>      | <b>2015</b>               |
| <b>Hollywood Casino Kansas</b>                     | <b>2,176,205</b> | <b>2,231,036</b> | <b>3,286,997</b>          |
| Difference - Applicant vs WGR                      | 710,080          | 713,263          | 1,059,209                 |
| <b>% Differences</b>                               | <b>24.6%</b>     | <b>24.2%</b>     | <b>24.4%</b>              |

Data Source: Wells Gaming Research, October 2009.

The Hollywood forecasted 2.9 million casino visits for 2013 versus 2.2 million estimated by WGR. WGR's forecast is 710 thousand visits (24%) lower than the Hollywood's. Casino visit projections for 2015 showed a similar spread. The Hollywood projected 2.9 million casino visits, while WGR estimated 2.2 million, a difference of 713 thousand visits (24%). In the full build out scenario, the Hollywood projected 4.3 million visits to WGR's 3.3 million, a difference of 1.1 million visits (24%).

## **Northeast Gaming Zone of Kansas** **Projections of Casino Visits & Gaming Revenues**

### **Gaming Revenue Projections**

WGR used gravity modeling methods to forecast the casino gaming revenues for the Hollywood. WGR's gravity modeling methodology has proven to be a flexible and effective tool for estimating gaming revenues for casino projects where the interplay with existing and/or proposed competing casinos could affect the future gaming revenues of a particular project (refer to section 1, pages 1-7 through 1-9 for additional information on WGR's gravity modeling methodology).

WGR's 2013 forecasts for the Hollywood include the impacts of the 2008-2009 ongoing recession, and a 3% inflation factor (the inflation adjustment was not used in 2010 because of the recession, but was applied from 2011 onward).

A comparison of gaming revenue estimates for the Hollywood versus WGR is illustrated in Exhibit 3-8. The Hollywood's 2013 forecast of \$220 million is \$62 million (28.1%) higher than WGR's revenue estimates of \$158 million. The Hollywood's 2015 forecast of \$231 million in gaming revenue is \$59 million (25.6%) higher than WGR's estimates of \$172 million. In the full build out scenario, the Hollywood's revenue estimate of \$327 million is \$72 million (21.9%) higher than WGR's at \$255 million.

**Exhibit 3-8 Revenue Projections**

|  | <b>Phase I</b>           |                          | <b>Full Build Out</b>    |
|--|--------------------------|--------------------------|--------------------------|
| <b>Applicant's Casino Revenue Projections</b>      | <b>2013</b>              | <b>2015</b>              | <b>2015</b>              |
| Hollywood Casino Kansas Application - Residential  | \$193,139,810            | \$202,917,512            | N/A                      |
| Hollywood Casino Kansas Application - Tourist      | \$27,045,084             | \$28,414,241             | N/A                      |
| <b>Hollywood Casino Kansas Application - Total</b> | <b>\$220,184,894</b>     | <b>\$231,331,753</b>     | <b>\$326,784,894</b>     |
| <b>WGR's Casino Revenue Projections (Inflated)</b> | <b>2013 <sup>1</sup></b> | <b>2015 <sup>1</sup></b> | <b>2015 <sup>2</sup></b> |
| <b>Hollywood Casino Kansas</b>                     | <b>\$158,312,687</b>     | <b>\$172,122,280</b>     | <b>\$255,094,099</b>     |
| Difference - Applicant vs WGR                      | \$61,872,207             | \$59,209,473             | \$71,690,795             |
| <b>% Differences</b>                               | <b>-28.1%</b>            | <b>-25.6%</b>            | <b>-21.9%</b>            |

**Footnotes:**

- 1. Phase 1 for WGR** --- At a 68% confidence interval (one standard deviation from the mean, assuming a normal distribution), revenues can be expected to vary +16% and -18%. In other words, predicted revenues can be expected to fall within this range 68% of the time.
- 2. Full Build Out for WGR** --- At a 68% confidence interval (one standard deviation from the mean, assuming a normal distribution), revenue can be expected to vary +14% and -16%, i.e., predicted revenues can be expected to fall within this range 68% of the time.

Data Source: Wells Gaming Research, October 2009.

# Northeast Gaming Zone of Kansas

## Projections of Casino Visits & Gaming Revenues

### Hollywood Compared with WGR & the 2008 Applicants

An expanded version of WGR's executive summary comparison of the Hollywood's 2009 forecasts (phase 1 and the full build out) with the 2008 applicants (Golden Heartland, Hard Rock, Legends Sun, and Pinnacle Entertainment) is illustrated in Exhibit 3-9.

**Exhibit 3-9 Hollywood Casino Resort versus WGR & the 2008 Applicants**

| Capacities & Amenities                    | 2009 Application<br>Hollywood Casino<br>Kansas |                             | 2008 Applications<br>(Projections Made by WGR for 2012) <sup>1</sup> |                      |                      |                           |
|---|--|-----------------------------|--|----------------------|----------------------|---------------------------|
|   | Phase I<br>(2012)                              | Full Build<br>Out<br>(2015) | Golden<br>Heartland<br>Phase I                                       | Hard<br>Rock         | Legends<br>Sun       | Pinnacle<br>Entertainment |
| <b>Capital Investment</b>                 | \$361,000,000                                  | \$627,500,000               | \$660,000,000  | \$706,000,000        | \$767,000,000        | \$650,000,000             |
| <b>Gaming Revenues:</b>                   |  |                             |  |                      |                      |                           |
| Applicant                                 | \$201,469,177                                  | \$326,784,894               | \$266,085,000  | \$358,073,088        | \$281,568,300        | \$401,456,200             |
| WGR                                       | \$151,850,405                                  | \$255,094,099               | \$178,259,568  | \$226,739,520        | \$163,362,192        | \$193,145,094             |
| <b>Difference</b>                         | <b>\$49,618,772</b>                            | <b>\$71,690,795</b>         | <b>\$87,825,432</b>  | <b>\$131,333,568</b> | <b>\$118,206,108</b> | <b>\$208,311,106</b>      |
| % Difference                              | 24.6%  | 21.9%                       | 33.0%  | 36.7%                | 42.0%                | 51.9%                     |
| <b>Visitor Projections:</b>               |  |                             |  |                      |                      |                           |
| Applicant                                 | 2,857,422                                      | 4,346,206                   | 3,669,732  | 4,509,892            | 2,980,965            | 3,967,433                 |
| WGR                                       | 2,149,599                                      | 3,286,997                   | 2,482,351  | 3,147,783            | 2,265,806            | 2,688,793                 |
| <b>Difference</b>                         | <b>707,823</b>                                 | <b>1,059,209</b>            | <b>1,187,381</b>   | <b>1,362,109</b>     | <b>715,159</b>       | <b>1,278,640</b>          |
| % Difference                              | 24.8%  | 24.4%                       | 32.4%  | 30.2%                | 24.0%                | 32.2%                     |
| <b>Casino:</b>                            |  |                             |  |                      |                      |                           |
| Square Footage                            | 100,000  | 128,450                     | 132,000  | 125,100              | 131,000              | 100,000                   |
| # of Slots                                | 2,300  | 3,000                       | 2,500  | 3,000                | 2,000                | 2,300                     |
| # of Tables Games                         | 61   | 75                          | 80   | 90                   | 60                   | 60                        |
| # of Poker tables                         | 25   | 25                          | 18   | 50                   | 25                   | 25                        |
| <b>Hotel Rooms</b>                        | 0  | 500                         | 300  | 300                  | 350                  | 500                       |
| <b>Restaurants/Entertainment:</b>         |  |                             |  |                      |                      |                           |
| # of Restaurants                          | 3  | 5                           | 5  | 10 <sup>3</sup>      | 5                    | 8                         |
| # of Small Entertainment Venues           | 1  | 1                           | 1  | 8 <sup>3</sup>       | 1                    | 1                         |
| # of Large Entertainment Venues           | 0  | 1                           | 2  | 2 <sup>3</sup>       | 2                    | 2                         |
| <b>Convention Square Footage</b>          | 0  | 60,000 <sup>2</sup>         | 25,000   | 40,000               | 40,500               | 68,540                    |
| <b>Sports/Recreation Facilities:</b>      |  |                             |  |                      |                      |                           |
| Enclosed Pool                             | Not Specified                                  | Not Specified               | Yes  | Yes                  | Yes                  | Yes                       |
| Outdoor Pool                              | Not Specified                                  | Not Specified               | Not Specified  | Yes                  | Not Specified        | Not Specified             |
| Spa/ Fitness Center                       | Not Specified                                  | Not Specified               | Yes  | Yes                  | Yes                  | Yes                       |
| Golf                                      | Not Specified                                  | Not Specified               | Yes  | Not Specified        | Yes                  | Not Specified             |
| Bowling                                   | Not Specified                                  | Not Specified               | Yes  | Not Specified        | Not Specified        | Not Specified             |
| <b>Parking:</b>                           | Not Specified                                  | Not Specified               |  |                      |                      |                           |
| # of Surface Spaces                       | 1,285  | 3,185                       | 1,229  | 5,584                | 2,000                | 2,820                     |
| # of Covered Spaces                       | 1,500  | 1,500                       | 2,020  | 1,342                | 1,500                | 0                         |
| <b># of Retail Outlets</b>                | 2  | 2                           | 1  | 3                    | 5                    | 4                         |
| <b># of FTE's (full time equivalents)</b> | 1,129  | Not Specified               | 1,625  | 1,991                | 1,776                | 2,074                     |

**Footnotes:**

1. Recap of WGR's presentation to the Lottery Gaming Review Board in September 2008.
2. Multipurpose meeting and entertainment venue space.

Data Sources: The 2008 Applicants & Wells Gaming Research, October 2009.

## ***Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues***

### **Capital Investment**

**Phase 1** - Variances between the Hollywood's Phase 1 proposed \$361 million investment and the 2008 applicants illustrate that the Hollywood is:

- \$299 million (45%) lower than Golden Heartland's \$660 million
- \$345 million (49%) lower than the Hard Rock's \$706 million
- \$406 million (53%) lower than the Legends Sun's \$767 million
- \$289 million (45%) lower than Pinnacle's \$650 million

**Full Build Out** - Variances show that the Hollywood's proposed investment of \$627.5 million is:

- \$32.5 million (5%) lower than Golden Heartland's \$660 million
- \$78.5 million (11%) lower than the Hard Rock's \$706 million
- \$139.5 million (18%) lower than the Legends Sun's \$767 million
- \$22.5 million (4%) lower than Pinnacle's \$650 million

### **Gaming Revenues**

Exhibit 3-9, page 3-11, shows the following gaming revenue variances.

#### **Hollywood 2009 application vs. WGR projections**

**Phase 1** – the Hollywood's \$201 million projection for 2012 is

- \$50 million (24.6%) higher than WGR's \$152 million

**Full Build Out** – the Hollywood's projection of \$327 million for 2015 is

- \$72 million (21.9%) higher than WGR's \$255 million

#### **Hollywood 2009 application vs. 2008 Applicants**

**Phase 1** - Hollywood's \$201.5 million in gaming revenue is:

- \$64.6 million (24%) lower than the Golden Heartland's \$266 million
- \$156.6 million (44%) lower than the Hard Rock's \$358 million
- \$80.1 million (29%) lower than the Legends Sun's \$282 million
- \$200.0 million (50%) lower than Pinnacle Entertainment's \$401 million

**Full Build Out** - Hollywood's \$327 million in gaming revenue is:

- \$60.7 million (23%) higher than the Golden Heartland's \$266 million
- \$31.3 million (9%) lower than the Hard Rock's \$358 million
- \$45.2 million (16%) higher than the Legends Sun's \$282 million
- \$74.7 million (18%) lower than Pinnacle Entertainment's \$401 million

### **Slot Machines**

Slot projections for the Hollywood vs. the 2008 applicants shows the following differences:

## ***Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues***

**Phase 1** – the Hollywood's proposed 2,300 slots are:

- 200 lower than Golden Heartland's 2,500 (8% lower)
- 700 lower than the Hard Rock's 3,000 (23% lower)
- 300 higher than the Legends Sun's 2,000 million (15% higher)
- Equal to Pinnacle's 2,300 slots

**Full Build Out** - Variances between the Hollywood's proposed 3,000 slots and the 2008 applicants shows that the Hollywood is:

- 500 slots higher than Golden Heartland's 2,500 (20% higher)
- Equal to the Hard Rock's 3,000
- 1,000 higher than the Legends Sun's 2,000 million (50% higher)
- 700 higher than Pinnacle's 2,300 (30%)

### **Total Table Games**

Following are the table game variances between the Hollywood and the 2008 applicants:

**Phase 1** – the Hollywood's proposed 86 table games are:

- 12 tables lower than Golden Heartland's 98 (12% lower)
- 54 lower than the Hard Rock's 140 (39% lower)
- 1 higher than the Legends Sun's 85 (1% higher)
- 1 higher than the Pinnacle's 85 (1% higher)

**Full Build Out** – the Hollywood's proposed 100 table games are:

- 2 tables higher than Golden Heartland's 98 (2% lower)
- 40 lower than the Hard Rock's 140 (29% lower)
- 15 higher than the Legends Sun's 85 (18% higher)
- 15 higher than the Pinnacle's 85 (18% higher)

### **Hotel Rooms**

The Hollywood's Phase 1 proposal did not include hotel rooms; however, 500 rooms were proposed for the full build out. This compares with an equal number for Pinnacle Entertainment, 300 for both the Golden Heartland and Hard Rock, and 350 for the Legends Sun.

### **Hollywood vs. the Four Kansas City, Missouri Casinos**

An expanded version of WGR comparative analyses of the Hollywood's proposal (phase 1 for 2012 and full build out for 2015), WGR's forecasts for the Hollywood, and the actual performance for the four Kansas City, Missouri casinos follows in Exhibit 2-10.

# Northeast Gaming Zone of Kansas

## Projections of Casino Visits & Gaming Revenues

**Exhibit 3-10 Hollywood Casino Resort versus the Four Kansas City, Missouri Casinos**

| Capacities & Amenities                    | Hollywood           |                          | Kansas City, Missouri Casinos<br>(Actual 2009) <sup>1</sup> |               |               |                      |
|---|---------------------|--------------------------|---|---------------|---------------|----------------------|
|   | Phase I<br>(2012)   | Full Build Out<br>(2015) | Ameristar   | Argosy        | Harrah's      | Isle<br>of Capri     |
| <b>Gaming Revenues:</b>                   |                     |                          |   |               |               |                      |
| Applicant vs Actual KC, MO Casinos        | \$201,469,177       | \$326,784,894            | \$242,413,197   | \$198,979,020 | \$197,457,366 | \$81,717,398         |
| WGR                                       | \$151,850,405       | \$255,094,099            | NA  | NA            | NA            | NA                   |
| <b>Difference</b>                         | <b>\$49,618,772</b> | <b>\$71,690,795</b>      | NA  | NA            | NA            | NA                   |
| <b>% Difference</b>                       | <b>24.6%</b>        | <b>21.9%</b>             |   |               |               |                      |
| <b>Gaming Visits:</b>                     |                     |                          |   |               |               |                      |
| Applicant vs Actual KC, MO Casinos        | 2,857,422           | 4,346,206                | 3,565,784   | 2,704,939     | 2,819,024     | 1,527,821            |
| WGR                                       | 2,149,599           | 3,286,997                | NA  | NA            | NA            | NA                   |
| <b>Difference</b>                         | <b>707,823</b>      | <b>1,059,209</b>         | NA  | NA            | NA            | NA                   |
| <b>% Difference</b>                       | <b>24.8%</b>        | <b>24.4%</b>             |   |               |               |                      |
| <b>Casino:</b>                            |                     |                          |   |               |               |                      |
| Square Footage                            | 100,000             | 128,450                  | 140,000   | 62,000        | 60,133        | 40,000               |
| # of Slots                                | 2,300               | 3,000                    | 3,022   | 1,962         | 1,793         | 1,525                |
| # of Tables Games                         | 61                  | 75                       | 90  | 39            | 60            | 16                   |
| # of Poker tables                         | 25                  | 25                       | 15  | 8             | 15            | 0                    |
| <b>Hotel Rooms</b>                        | <b>0</b>            | <b>500</b>               | <b>184</b>  | <b>258</b>    | <b>392</b>    | <b>0</b>             |
| <b>Restaurants/Bars/Entertainment:</b>    |                     |                          |   |               |               |                      |
| # of Restaurants                          | 3                   | 5                        | 10  | 5             | 6             | 5                    |
| # of Small Entertainment Venues           | 1                   | 1                        | 1   | 2             | 0             | 1                    |
| # of Large Entertainment Venues           | 0                   | 1                        | 2   | 1             | 1             | 0                    |
| <b>Convention Square Footage</b>          | <b>0</b>            | <b>60,000</b>            | <b>14,520</b>   | <b>19,000</b> | <b>10,000</b> | <b>0</b>             |
| <b>Sports/Recreation Facilities:</b>      |                     |                          |   |               |               |                      |
| Enclosed Pool                             | Not Specified       | Not Specified            | No  | No            | No            | No                   |
| Outdoor Pool                              | Not Specified       | Not Specified            | No  | No            | No            | No                   |
| Spa/Fitness Center                        | Not Specified       | Not Specified            | No  | Yes           | No            | No                   |
| Golf                                      | Not Specified       | Not Specified            | No  | No            | No            | No                   |
| Bowling/Arcade                            | Not Specified       | Not Specified            | Yes   | No            | No            | No                   |
| <b>Parking:</b>                           |                     |                          |   |               |               |                      |
| # of Parking Spaces                       | 2,785               | 4,685                    | 2,660   | 2,535         | 3,122         | 1,618                |
| Covered Parking Availability              | Yes                 | Yes                      | Yes   | Yes           | Yes           | No                   |
| <b># of Retail Outlets</b>                | <b>2</b>            | <b>2</b>                 | <b>1</b>  | <b>1</b>      | <b>1</b>      | <b>0</b>             |
| <b># of FTE's (full time equivalents)</b> | <b>1,129</b>        | <b>Not Specified</b>     | <b>1,360</b>  | <b>1,100</b>  | <b>1,295</b>  | <b>Not Specified</b> |

**Footnotes:**

- Gaming revenues and casino visits for the four Kansas City, Missouri casinos were based on 12 months actual ending July 31, 2009.

Data Sources: The Missouri Gaming Commission @ 7/31/09 & Wells Gaming Research, October 2009.

## ***Northeast Gaming Zone of Kansas Projections of Casino Visits & Gaming Revenues***

**Gaming Revenue Comparisons** between the Hollywood's \$201 million gaming revenue projection and actual gaming revenues for the Kansas City, Missouri casinos (refer to Exhibit 3-10, page 3-14) shows that the Hollywood is:

### **Phase 1**

- 17% (\$41 million) lower than Ameristar's \$242.4 million
- 1% (\$2.5 million) higher than the Argosy's \$199.0 million
- 2% (\$4 million) higher than the Harrah's \$197.5 million
- 146% (\$119.8 million) higher than the Isle of Capri's \$81.7 million

**Full Build Out** – the Hollywood's gaming revenue projection of \$326.8 million is:

- 48% (\$84.4 million) higher than Ameristar's \$242.4 million
- 64% (\$127.8 million) higher than the Argosy's \$199 million
- 65% (\$129.3 million) higher than the Harrah's \$197.5 million
- 300% (\$245.1 million) higher than the Isle of Capri's \$81.7 million

### **Slot Machines**

Compared to the Kansas City, Missouri casinos, the Hollywood's proposed 2,300 slots are:

### **Phase 1**

- 722 (24%) lower than Ameristar's 3,022
- 338 (17%) higher than the Argosy's 1,962
- 507 (28%) higher than the Harrah's 1,793
- 775 (51%) higher than the Isle of Capri's 1,525

**Full Build Out** – slot capacity projections of 3,000 slots are:

- 22 (1%) lower than Ameristar's 3,022
- 1,038 (53%) higher than the Argosy's 1,962
- 1,207 (67%) higher than the Harrah's 1,793
- 1,475 (97%) higher than the Isle of Capri's 1,525

### **Total Table Games**

Capacity variances between the Hollywood and the Kansas City, Missouri casinos show that the Hollywood's proposed 86 table games are:

### **Phase 1 –**

- 19 (18%) lower than Ameristar's 105
- 39 (83%) higher than the Argosy's 47
- 1 (1%) higher than the Harrah's 85
- 70 (438%) higher than the Isle of Capri's 16

**Full Build Out** – the Hollywood's proposed 100 table games are:

- 5 (5%) lower than Ameristar's 105
- 53 (113%) higher than the Argosy's 47



***Northeast Gaming Zone of Kansas  
Projections of Casino Visits & Gaming Revenues***

- 15 (18%) higher than the Harrah's 85
- 84 (525%) higher than the Isle of Capri's 16

**Hotel Rooms**

Hotel rooms were not included in the Hollywood's Phase 1 proposal; however, 500 rooms were proposed for the full build out. Comparison with the Kansas City, Missouri casinos shows that the Hollywood's projection for the **full build out** is:

- 316 (172%) higher than Ameristar's 184
- 242 (93.8%) higher than the Argosy's 258
- 108 (27.6%) higher than the Harrah's 392
- 500 higher than the Isle of Capri's 0